



Rural Business Enterprise Grant (RBEG) Program

The RBEG program provides grant funds for ***precisely targeted*** technical assistance, training, and other activities that support the development of small business enterprises in rural areas. Detailed information is on-line at: <http://www.rurdev.usda.gov/rbs/busp/rbeg.htm>

Funds available

The Oregon state allocation in FY2005 is **\$281,000**. Limited additional funds may be available from a national reserve pool.

Another \$2,976,000 is earmarked to assist Native American communities nationwide (no specific Oregon state allocation).

Eligible applicants (Who may receive the grant?)

Public bodies, nonprofit corporations, & tribes seeking to conduct a rural business development project.

This is not a grant program for businesses. Individuals & for-profit entities are not eligible. “Pass-through” grants are not permitted.

Eligible projects (Who must the grant assist?)

Only rural communities (outside the urbanized periphery of cities with a population of 50,000) may be assisted. RBEG projects must have a reasonable prospect for resulting in the development of a specifically-identified “***small & emerging private business enterprise***”.

- A “small ... enterprise” is one that will employ ≤ 50 employees and that projects $\leq \$1$ million in gross profit (i.e., gross sales *less* cost of goods sold & sales returns). *The grantee is responsible for assuring such a beneficiary.*
- A tribally-owned business can be considered a “small ... enterprise” only if its governing board is independent of the tribal government.

The key question an applicant must be able to answer is, Who is the “small enterprise” that will benefit from this RBEG?

Authorized purposes (What type of activities can be funded?)

RBEG’s may be used for the following project types:

- Technical assistance – a problem solving activity such as market research, feasibility study, or product/service improvement – including associated business training
- Workforce training – including distance learning networks
- Revolving loan funds (RLFs) – to establish a loan fund for re-lending to “small enterprises” exclusively *
- Capital items (real estate, infrastructure, equipment) – to be leased to or for the benefit of “small enterprises” exclusively *

* ☞ *Important consideration!* The grantee is responsible for assuring a “small enterprise” beneficiary exclusively for the life of the RBEG project. For RLFs, this means RLF lending is constrained for as long as any of the RLF capital remains intact regardless of how many times the loan fund revolves. For capital projects, the property’s use is limited for its useful remaining life. For this reason, RLF & capital expenditure RBEG projects should be undertaken with caution.

* ☞ *Important consideration!* Capital items receiving RBEG funds (e.g., real estate improved with RBEG funds) cannot be sold without the prior concurrence of USDA. If sold, the RBEG grant generally must be repaid to USDA. For this reason, capital expenditure RBEG projects should be undertaken with caution.

Limitations – RBEG funds may not be used for:

- General economic development planning (Remember, there must be a clearly-identified “small ... enterprise” beneficiary.)
- Promotion of an area to attract businesses
- Agricultural production (although technical assistance & training is allowed)
- Housing or residential site development

Matching requirement

Matching funds are not required, but priority points are awarded to projects with higher leveraging.

Application Process

Prospective RBEG applicants are strongly encouraged to talk to USDA before preparing a formal application. RBEG funds are typically awarded once a year (around June).

Priority Point System

RBEG applications are competitively chosen for funding based on how well they meet the following selection criteria:

Max Points	Grant selection criteria
15	<u>Project location's population:</u> <5,000 (15 pts); 5-15,000 (10 pts); 15-25,000 (5 pts); >25,000 (0 pts)
20	<u>Project location's unemployment vs. State rate:</u> >25% higher (20 pts); 0-25% higher (10 pts); < State rate (0 pts)
20	<u>Project location's median household income (MHI) vs. poverty line (\$19,350) & State MHI (\$41,796):</u> <\$19,350 (25 pts); \$19,350-\$35,527 (15 pts); \$35,527-\$41,796 (10 pts); >\$41,796 (0 pts)
10	Applicant with 5+ years of experience administering activity of the proposed type
25	Written commitment from a small business that it will start up or expand as a result of the project
15	<u>% of project funding from committed nonfederal sources:</u> >50% (15 pts); 25-50% (10 pts); 5-20% (5 pts); <5% (0 pts)
25	RBEG funds will establish this grantee's very first RLF
10	<u>RBEG will create or save jobs (per written commitment from employer):</u> ≤\$10,000 RBEG funds per job (10 pts); \$10-25,000 per job (5 pts); >\$25,000 per job (0 pts)
5	Project is consistent with the community's economic development plan
25	<u>RBEG size:</u> <\$100,000 (25 pts); \$100-200,000 (15 pts); \$200-500,000 (10 pts); >\$500,000 (0 pts)
10	The small business assisted will be a tribal nonprofit entity in a town of <5,000 or on a reservation
50	USDA State Director discretionary points (based on geographic distribution, employment benefit, economic distress mitigation, emergency situations, etc.)

Helpful RBEG links

RBEG program regulations. The RBEG program is governed by RD Instruction 1942-G which is on-line at: <http://www.rurdev.usda.gov/regs/regs/pdf/1942g.pdf>

More information at: <http://www.rurdev.usda.gov/or/rbeg.htm> or contact:

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